BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR REVISIONS TO ITS GAS TARIFF (Filed March 13, 2017)	))))	**PSC DOCKET NO. 17-0129**
IN THE MATTER OF THE APPLICATION OF CHESAPEAKE UTILITIES CORP. FOR REVISIONS TO ITS GAS TARIFF (Filed March 29, 2017)	))))	**PSC DOCKET NO. 17-0158**

THE DELAWARE DIVISION OF THE PUBLIC ADVOCATE'S POSITION REGARDING DELMARVA POWER & LIGHT COMPANY'S AND CHESAPEAKE UTILITIES CORPORATION'S APPLICATIONS FOR REVISIONS TO THEIR GAS TARIFFS TO COMPLY WITH AMENDMENTS TO PHMSA REGULATIONS

Introduction.

An excess flow valve ("EFV") is "a mechanical safety device installed inside a natural gas distribution service line between the street and residential meter."[1] According to the federal Pipeline and Hazardous Materials Safety Administration ("PHMSA"), EFVs are designed so that general usage (such as turning on appliances) will not trigger the valve's operation. If the flow of gas significantly increases, however (for example, as a result of a damaged line), the EFV will close to minimize the gas flow through the line, and therefore, the amount of gas that escapes into the atmosphere. When the correct pressure is restored, the EFV automatically resets itself.[2]

PHMSA first imposed a requirement for EFV installation in regulations that became effective in 2010.[3] Those regulations required pipeline operators to install EFVs on new or replacement service lines for single-family residences only. In that rulemaking, PHMSA

[1] 81 Fed. Reg. 70988 (10/14/16).
[2] *Id.*
[3] 74 Fed. Reg. 63905-63936 (12/4/09). A diagram of where the excess flow valve is installed vis-à-vis the customer's meter is attached as Exhibit A.

specifically rejected the Connecticut Department of Public Utility Control's argument that EFVs should be installed in *all* situations where doing so was "technically feasible."[4]

In October 2016, PHMSA amended its regulations governing EFV installation to extend to: (1) branched service lines to a single family residence installed concurrently with the primary single family residence service line; (2) branched service lines to a single family residence installed off a previously installed single family residence service line that does not contain an EFV; (3) multifamily installations (including duplexes, triplexes, fourplexes and other small multifamily buildings such as apartments and condominiums) with known customer loads up to 1000 standard cubic feet per hour per service at the time of service installation; and (4) a single small commercial customer served by a single service line with a known customer load up to 1000 standard cubic feet per hour per service at the time of service installation.[5] Again, however, PHMSA stopped short of requiring pipeline operators to install EFVs on all service lines: EFVs need not be installed: (1) where the service line does not operate at a pressure of 10 psig or greater through the year;[6] (2) where the pipeline operator has experienced contaminants in the gas stream that could interfere with the EFV's operation; (3) where the EFV could interfere with operation and maintenance activities; and (4) where an EFV meeting identified performance standards is unavailable.[7]

The amended regulation also obligates pipeline operators to provide all customers with written or electronic notice that they may request installation of an EFV.[8] The notice must include:

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[4] *Id.* at 63916 (emphasis added).

[5] *Id.* §§192.383(b)(2)-(b)(5). PHMSA notes that the average single family home uses approximately 200 standard cubic feet of gas per day and apartment units use even less. 81 Fed. Reg. at 70988.

[6] According to the Pipeline Safety Trust, "a nonprofit public charity that promotes pipeline safety through education and advocacy by increasing access to information, and by building partnerships with residents, safety advocates, government and industry, that result in safer communities and a healthy environment," "the small service lines that deliver gas to individual homes are typically well under 10 psi." *See* http://pstrust.org/about/ and http://pstrust.org/wp-content/uploads/2015/09/2015-PST-Briefing-Paper-02-NatGasBasics.pdf at page 4.

[7] 49 CFR §§192.383(c)(1)-(c)(4).

[8] *Id.* §§1920383(d), (e)(1).

(1) an explanation of the potential safety benefits that may be derived from installing an EFV, including an explanation that the EFV is designed to shut off gas flow automatically if the service line breaks; (2) what the costs of maintaining and replacing an EFV are, to the extent known; and (3) a statement that if a customer requests an EFV to be installed, the pipeline operator must install the EFV at a mutually-agreeable date.[9]

Importantly, the amended regulation specifically provides that the pipeline operator's "rate-setter" will determine "how and to whom the costs of the requested EFVs are distributed."[10]

The new regulations became effective April 14, 2017.

Delmarva Power & Light Company and Chesapeake Utilities Corporation File Applications to Amend Their Tariffs to Comply With the Amended Regulations.

In March 2017, Delmarva Power & Light Company ("Delmarva") and Chesapeake Utilities Corporation ("Chesapeake") filed applications with the Delaware Public Service Commission (the "Commission") requesting the Commission to approve their proposed tariff language implementing the 2016 PHMSA amendments. Both utilities' proposed tariff language states that the charge to a customer requesting installation of an EFV shall be the utility's estimated cost for the EFV installation, including applicable taxes, and that if the actual cost to install the EFV is more or less than the estimated costs, no true up will be made to either the utility or the customer.[11]

Staff and the DPA Conduct Informal Discovery.

After the utilities filed their applications, the Commission Staff and the Delaware Division of the Public Advocate ("DPA") asked informal data requests seeking, among other things: the

[9] *Id.* §§192.3839(e)(2)-(e)(4).
[10] *Id.* §192.383(d).
[11] Docket No. 17-0129, Delmarva Application, Second Revised Tariff Leaf No. 14, Section VII.D; Docket No. 17-0158, Chesapeake Application, Second Revised Sheet No. 11, Section 4.11.

rationale for not truing up to actual installation cost; how many of the EFVs each utility expected to install annually; how much each utility estimated installing an EFV would cost; the number of lines hit each year; whether there was any damage to persons or property as a result of the hit lines; whether the hit lines had an EFV installed and if so, whether the EFV functioned as expected; when each utility began routinely installing EFVs; and how many EFVs had been installed to date (with a breakdown by year if possible).

Delmarva Responses. Delmarva reported that it began installing EFVs for new and replacement gas services as standard practice in 1999, and that there were currently 33,799 EFVs installed out of a total of 125,118 active gas services in its service territory.[12] It estimated that there were approximately 77,000 gas services over 10 psig that do not have an EFV.[13] Based on PHMSA's data, Delmarva expected less than 0.04% (or 300) of those customers would request an EFV.[14] It estimated that installing an EFV on an existing service line would cost approximately $1,800 ($1,100 for labor; $450 for overhead and contingency; $250 CIAC tax).[15] However, it noted that costs could range from as little as $50 (the cost of the device) to as high as $5,000 (if an entire service line needs replacement because its existing size and length will not permit the EFV to close if the flow rate does not reach the design close flow rate due to the pressure drop across a long small diameter service).[16] Additionally, for EFVs installed within the cities of Wilmington and Newark, there would be additional costs of $185 and $100 respectively for permit fees, plus hard surface restoration costs of $500-$1000 per road patch.[17]

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[12]June 26, 2017 email from Pamela J. Scott, Esq. to Regina A. Iorii, Esq. (Exhibit B).
[13]March 22, 2017 email from Pamela J. Scott, Esq. to Regina A. Iorii, Esq. (Exhibit C). Subtracting the 77,000 over-10 psig active services from the total 125,118 active services, and then subtracting the 33,799 services that do have an EFV, means that *at most* only 14,319 of Delmarva's active services under 10 psig do not have EFVs installed.
[14]*Id.*
[15]*Id.*
[16] Delmarva March 22, 2017 Responses to Staff Informal Data Request Gen-4. (Exhibit D).
[17]*Id.*

Delmarva also advised that 433 service lines had been damaged in the past three years, and that 137 of those service lines had an EFV.[18] It claimed it did not have the information regarding the amount of damage to persons or property "readily available," and that it would take "a significant amount of time to research it."[19] It stated that it had no records indicating that an EFV did not function as expected when a service line was damaged.[20] Finally, Delmarva rejected a true-up mechanism because this would require it to examine each installation individually and develop a cost for the installation, which would add more time and expense to the process.[21] Delmarva proposed that the difference between the estimated and actual EFV installation costs will "flow through base rates."[22] If the Commission did not allow Delmarva to recover EFV costs from the customer, Delmarva would seek to collect the costs through base rates "as a legitimate cost of doing business to comply with a federal regulation."[23] Assuming that Delmarva installed an EFV on all 14,319 existing service lines under 10 psig at its estimated cost of $1,800, this would add another $25,774,200 to Delmarva's rate base.

Chesapeake Responses. Chesapeake advised that it began installing EFVs for new and replacement gas services as standard practice in 2000, and that there were currently 30,466 EFVs installed out of a total 52,265 active gas services in its service territory.[24] Chesapeake anticipated "minimal installations per year" under its current proposal, but expected "significantly more" installations if customers do not have to pay installation costs.[25] It calculated an average installation cost of $2,850 per installation;[26] however, it currently estimated that costs could range

[18]June 26, 2017 email from Pamela J. Scott, Esq. to Regina A. Iorii, Esq.
[19]*Id.*
[20]*Id.*
[21]Delmarva March 22, 2017 Response to Staff Informal Data Request Gen-9.
[22]*Id.*, Delmarva response to Staff Informal Data Request Gen-10.
[23]*Id.*, Delmarva response to Staff Informal Data Request Gen-11.
[24]April 12, 2017 email from William F. O'Brien, Esq. to Andrea Maucher (Exhibit E).
[25]Chesapeake April 10, 2017 Response to Staff Informal Data Request Gen-8 (Exhibit F).
[26]*Id.*, Chesapeake response to Staff Informal Data Request Gen-3.

from $700-$5,000 depending on restoration, permitting, traffic control and other construction-related requirements.[27]

Chesapeake also advised that a total of 737 service lines had been damaged from 2007 through 2016.[28] It claimed that information regarding whether the line had an EFV installed and if the EFV functioned as expected was "not readily available;"[29] however, it reported that there was no personal or property damage as a result of those hits other than to the service line itself.[30] Finally, Chesapeake explained that (like Delmarva), it was recommending the same process that it uses with contributions in aid of construction ("CIAC"), because that method was "straightforward for the customer;" would "enable the customer to make an informed choice, without the risk of higher charges after installation is complete;"[31] and would save "significant resources" involved in tracking each project to reconcile payments.[32] If actual costs were used, Chesapeake asserted that it would collect an upfront cost estimate to avoid collection issues after installation.[33] Like Delmarva, Chesapeake proposed to collect the difference between the estimated and actual EFV installation costs through base rates.[34] Assuming that Chesapeake installed an EFV on all 21,799 existing service lines lacking an EFV at its average estimated cost of $2,850, this would add another $62,127,150 to Chesapeake's rate base. Unlike Delmarva, however, if the Commission did not allow Chesapeake to recover EFV costs from the customer, Chesapeake would propose an annually-adjusted surcharge that would include a return of and on its investment at its authorized rate of return.[35]

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[27] *Id.*, Chesapeake response to Staff Informal Data Request Gen-4.
[28] April 12, 2017 email from William F. O'Brien, Esq. to Andrea Maucher.
[29] *Id.*
[30] *Id.*
[31] Chesapeake April 10, 2017 Response to Staff Informal Data Request Gen-9A.
[32] *Id.*
[33] *Id.*
[34] *Id.*, Chesapeake response to Staff Informal Data Request Gen-10.
[35] *Id.*, Chesapeake response to Staff Informal Data Request Gen-11.

Finally, Chesapeake projected that if it paid for all EFV installations, the average installation cost "could increase dramatically" if it did not have the resources to keep up with the volume of installation requests.[36] It estimated that if installations were free, "the number of requests could reach well into the thousands in a relatively short period of time."[37]

The DPA's Position.

The DPA has reviewed the comments that PHMSA received on the amended regulation, the reasons why PHMSA did not mandate installation of EFVs on all service lines, the information from the utilities, and how other commissions have decided the issue. As a result of its review of this information, the DPA believes that customers that request an EFV to be installed on their service lines should pay the actual costs associated with that installation over and above the cost of the device, and that the utility's broader customer base should not be responsible for any part of such cost recovery. The DPA further believes that over/undercollections should be trued up. Thus, the DPA proposes the following tariff language for both Delmarva and Chesapeake:

> "Customer Requested Installation of an Excess Flow Valve (EFV) for Existing Gas Service."
>
> Pursuant to Federal Regulations that became effective April 14, 2017, eligible customers as defined in 49 CFR §192.383 may request to have the Company install, at the Customer's expense, an Excess Flow Valve (EFV) on an existing Service Line supplying the Customer. If an eligible Customer requests an EFV installation, the Company will install the EFV at a mutually agreeable date and time. The Customer shall pay the actual installation costs associated with the installation of the EFV that exceed the actual cost of the EFV to the Company, including but not limited to costs of restoration, permitting, traffic control and other construction-related requirements. The Company shall provide the Customer with an estimate of the cost of installation of the EFV. If the Customer decides to proceed with EFV installation, the Company shall collect an amount that it estimates will cover the costs of installation of the EFV, and if that amount is insufficient to cover the actual installation costs, the Company shall be entitled to bill the Customer for the remaining costs, and to commence legal proceedings to recover the remaining costs if the Customer does not pay when billed. If the Company collects more from the

[36] *Id.*
[37] *Id.*

Customer than the installation actually cost, the Company shall refund the overcollection to the Customer.

The DPA also suggests removing the last sentence of the utilities' proposed tariff. The following explains the reasoning behind the DPA's positions.

A. PHMSA Did Not Make EFV Installation on All Existing Service Lines Mandatory, So Customers Requesting an EFV on an Existing Service Line Should Be Responsible for the Costs of Installing It.

Although the 2016 amendments expand the situations in which pipeline operators must install EFVs on service lines, it is noteworthy that PHMSA did not require EFVs to be installed on *all* currently-existing service lines.[38] Nor does PHMSA's discussion of the comments received indicate that either of the non-pipeline operators and non-trade association groups that participated in its rulemaking (the National Transportation Safety Board and the Pipeline Safety Trust[39]) argued that installation should be mandatory for 100% of all existing gas services.

Because EFV installation on all existing services is not mandatory, the utilities' applications present a classic cost causation policy issue. Had PHMSA made EFV installation on all service lines mandatory, it would be appropriate to spread the installation cost across the entire customer base, because all customers would benefit and no customers would be subsidizing other customers. But in situations where a particular customer (or customer group) wants one for that particular customer's (or customer group's) benefit, that customer (or customer group) alone is causing the costs to be incurred. In such situations, fairness dictates that that customer (or customer group) alone should pay the installation costs over and above the cost of the device. Other non-

[38] *See* 49 CFR §§192.383(c).

[39] *See* page 2 and footnote 5 *supra*. In addition, the DPA notes that the Pipeline Safety Trust describes its mission as, among other things, providing "effective advocacy to improve public health, safety and environmental protection," and valuing "[p]ublic safety and public interest, trust and credibility, fearless independence, inclusiveness and accessibility, and proactive strategies." *See* http://pstrust.org/about/mission/

requesting customers should not subsidize a customer or customer group when that customer or customer group is the only beneficiary of the EFV.

Staff's position that no customers should have to pay for an EFV to be installed on an existing service line raises a different policy issue.[40] Staff claims that the proposed tariffs place low income and "disadvantaged"[41] customers and neighborhoods at greater risk of damaged service lines because they might not be able to pay for the added safety of an EFV. Moreover, Staff says, these customers are paying for new customers' and replacement-line customers' EFVs.[42] According to Staff, customers should not be discriminated against solely because of the age of their service lines, simply because their service lines were installed prior to the rule being implemented.[43]

There is a facial appeal to Staff's argument. Of course, affluent customers should not have greater protection than low-income customers simply by virtue of their wealth. But the fact is that Delaware law permits discriminatory treatment: only individual or joint rates that are unjust, unreasonable, unduly preferential or unjustly discriminatory are prohibited.[44] Staff's proposal could actually produce the perverse result that low-income or disadvantaged customers would, through their rates, subsidize more well-to-do or advantaged customers who request and receive an EFV, even though those low-income and disadvantaged customers do not themselves request an EFV.[45] It is not unjust or unreasonable to require a customer who requests an EFV and therefore causes the utility to incur specific, identifiable costs because of that request – costs that it would not have incurred otherwise – to pay those costs. Indeed, the DPA submits that requiring all

[40]Staff memo in 17-0129 at 2; Staff memo in 17-0158 at 2.
[41]Staff does not define a "disadvantaged" customer, and there is no such definition in the Public Utilities Act.
[42]Staff memo in 17-0129 at 2; Staff memo in 17-0158 at 2.
[43]*See id.*
[44]26 *Del. C.* §303(a).
[45]This is similar to the situation in Delaware where customers that do not install solar panels subsidize those who do as a result of mandatory contributions to the Green Energy Fund that are included in all customers' rates.

customers to pay for EFV installations that only benefit the requesting customer (or a group of customers) is unjust, unreasonable, unduly preferential and unjustly discriminatory.

Moreover, as discussed previously, PHMSA did not make EFV on all existing lines mandatory, thus suggesting that it does not believe that customers served by existing service lines are at particularly greater risk of harm if they do not install EFVs. Not even the public interest participants in the ratemaking proceeding made such an argument. This is most likely because gas leaks causing significant personal injury or property damage are relatively rare. While no one wants to hear of pipeline incidents,[46] especially those that could cause significant injury, the fact remains that PHMSA did not require an EFV on all gas lines. According to PHMSA records, nationwide over the last 20 years "pipeline incidents" have produced an average of 16 fatalities and 67 injuries.[47] In Delaware over this same time period, there has been a total of 11 pipeline incidents: none involved fatalities, four produced injuries meeting the PHMSA criteria (and the last incident to do even that was in 2003), and the total cost associated with all 11 incidents was approximately $2.7 million.[48]

Additionally, Staff's position here is seemingly at odds with its recent position in utility rate cases supporting higher fixed monthly customer charges. Fixed monthly customer charges –

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[46] A "pipeline incident" is defined as "(1) [a]n event that involves a release of gas from a pipeline or of liquefied natural gas or gas from an LNG facility and (i) a death, or personal injury necessitating in-patient hospitalization; (ii) estimated property damage, including cost of gas lost, of the operator or others, or both, of $50,000 or more; (iii) unintentional estimated gas loss of three million cubic feet or more; (2) [a]n event that results in an emergency shutdown of an LNG facility …; (3) [a]n event that is significant, in the judgment of the operator, even though it did not meet the criteria of paragraphs (1) or (2)." *See* https://hip.phmsa.dot.gov/Hip_Help/pdmpublic_incident_page_allrpt.pdf

[47] https://hip.phmsa.dot.gov/analyticsSOAP/saw.dll?Portalpages&NQUser=PDM_WEB_USER&NQPassword=Public_Web_User1&PortalPath=%2Fshared%2FPDM%20Public%20Website%2F_portal%2FSC%20Incident%20Trend&Page=All%20Reported&Action=Navigate&col1=%22PHP%20-%20Geo%20Location%22.%22State%20Name%22&val1=%22%22

[48] https://hip.phmsa.dot.gov/analyticsSOAP/saw.dll?Portalpages&NQUser=PDM_WEB_USER&NQPassword=Public_Web_User1&PortalPath=%2Fshared%2FPDM%20Public%20Website%2F_portal%2FSC%20Incident%20Trend&Page=All%20Reported&Action=Navigate&col1="PHP%20-%20Geo%20Location"."State%20Name"&val1=""

which customers pay before ever using a ccf of energy and which cannot be avoided by reducing usage – disproportionately burden lower-income and lower usage customers. And such customers have a much greater risk of paying higher monthly customer charges than they do of having something happen to their service lines.

Finally, at some point, all customers will have EFVs installed on their service lines when those lines are replaced. It makes little sense to increase the costs to all customers by replacing service lines before they need replacement simply to install an EFV – but that is the result of Staff's proposal. DPA's proposal that customers not be required to pay for the cost of the device, but only the costs of installation over and above the cost of the device, resolves the problem of disparate treatment.

B. The Commission Should Not Order Free Installation of EFVs for All Customers.

Staff submits that EFVs should be installed on all eligible customer's service line free of charge, with the installation costs socialized across the entire customer base. The utilities resist that suggestion, and so does the DPA. As Chesapeake points out, if the installations are free the utility could soon become overwhelmed by customers requesting EFV installation. Moreover, the customer would have no incentive to consider costs when requesting the installation because other customers would be helping to pay for it.

Furthermore, free EFV installation could give customers the incorrect impression that they are at increased risk unless an EFV is installed. That does not appear to be the case: although accidents involving service lines do happen, they are relatively rare, and (at least in Chesapeake's case) have not resulted in personal injury or property damage other than to the service line itself.[49] Additionally, the DPA observes that an EFV will not protect customers against all gas leaks. It is

[49] *See also supra* at 10.

designed to protect against "a sudden interruption of gas service, most commonly due to damage from an excavation;"[50] it is not designed to close if a leak occurs beyond the gas meter (on house piping or appliances), nor will it close if the leak on the service line is small.[51]

In Baltimore Gas & Electric's proposed tariff revision proceeding,[52] the Maryland Commission's Telecommunications, Gas & Water Division staff ("Maryland Staff") recommended that a customer requesting an EFV on an existing line be financially responsible for the incremental costs above the EFV's material cost. It recognized that the PHMSA had determined that it was not cost-effective to require installing an EFV on all existing services. The Maryland Staff concluded that including the entire cost of each requested EFV in rates was inappropriate;[53] however, recognizing that new customers and customers having their service lines replaced get the devices for free, it recommended that a customer requesting an EFV on an existing line should be responsible for the incremental installation costs above the cost of the EFV. Maryland Staff found that this:

> ...would maintain the price signal, as the incremental costs would still be significant. However, it will maintain equity between the customers since the costs of materials associated with an EFV installation for a new or repaired service line are recovered through rates. Therefore, the material costs of the EFV associated with EFV installations should also be recovered through rates.[54]

The DPA agrees with the Maryland Staff's recommendation and proposes tariff language for each utility providing that a customer requesting installation of an EFV on an existing service line shall pay all actual costs above the actual cost of the EFV.

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[50] *See* https://www.pseg.com/home/education_safety/safety/efv/faq.pdf.
[51] *See, e.g.,* Philadelphia Gas Works tariff. https://www.pgworks.com/uploads/pdfs/Excess_Flow_Valve_Notice.pdf
[52] *Baltimore Gas & Electric Co.,* Supplement No. 431 to PSC Md. G-9, Staff Supplemental Comments, No. TG-311 (March 29, 2017) (Exhibit F). The Maryland Commission approved the tariff, with one change recommended by its Staff, on April 5, 2017.
[53] *Id.* at 4.
[54] *Id.*

Staff states that "Pennsylvania has an aggressive service replacement program at which time EFVs are installed at no cost,"[55] but cites to nothing supporting this assertion.[56] This "aggressive service replacement," however, is unrelated to PHMSA's changes to the EFV regulations; instead, it arises from the requirements of Act 11,[57] which amended certain chapters of Pennsylvania's Public Utility Code. Among other things, Act 11 allowed electric and natural gas distribution utilities to implement a distribution system improvement charge ("DSIC") and mandated that the utilities provide a Long-Term Infrastructure Investment Plan ("LTIIP"). The Pennsylvania Commission stated that "[t]he LTIIP should reflect and maintain an *acceleration* of infrastructure replacement over the utility's historic level of capital improvement."[58] Furthermore, the Pennsylvania Commission has approved tariff provisions for natural gas distribution companies that allow them to charge a customer that wants to install an EFV on its existing service line.[59]

C. Requesting Customers Should Be Charged the Actual Costs of Installation.

The DPA disagrees with the utilities' proposed tariffs insofar as they exclude a true-up to actual costs. Where the utilities underestimate the installation cost, all customers will pay for the shortage. The number of customers likely to request such installations is admittedly small;

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[55]Staff memo 17-0129 at 3; Staff memo 17-0158 at 3.

[56]For example, it cites no statistics showing the number of replacements annually per utility, nor is there any information provided that would permit a comparison of the replacement rate between Delaware and Pennsylvania. Nor does Staff identify the person who provided the information supporting its claim that Pennsylvania has an aggressive replacement program.

[57]66 Pa. C.S. §§101 *et seq.*

[58] *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Final Implementation Order at 19 (Pa. PUC Aug. 2, 2012) (emphasis in original). *See* http://www.puc.pa.gov/pcdocs/1186846.doc. We note that the DPA is not suggesting that Delaware should implement a DSIC for electric and natural gas distribution utilities. Indeed, the DPA has publicly opposed implementing a DSIC for electric and natural gas distribution utilities. We include this discussion simply to show the reason for Pennsylvania's "aggressive service replacement program" — that it is in connection with Pennsylvania utilities' compliance with the Pennsylvania Commission's Implementation Order.

[59]*See National Fuel Gas Distribution Corporation,* Docket No. R-2017-2588683 (Pa. PUC April 6, 2017); *Philadelphia Gas Works*, Docket No. R-2017-2588966 (April 6, 2017); *Valley Energy, Inc.*, Docket No. R-2017-2589295 (April 6, 2017); *UGI Utilities, Inc.*, Docket No. R-2017-2589953 (April 6, 2017); *PECO Energy Company*, Docket No. R-2017-2593071 (Pa. PUC May 4, 2017).

Delmarva estimates that only 0.4% of eligible customers would make a request, and Chesapeake anticipates "minimal installations" annually. The DPA acknowledges that tracking installation costs for each customer will require additional employee time, but neither Chesapeake nor Delmarva has quantified the amount of time they expect such tracking would consume. Absent evidence that such tracking would be unduly burdensome, the DPA believes that the Commission should reject any cost recovery mechanism that results in customers who do not request an EFV subsidizing those who do.

Staff states that Rhode Island is socializing the cost of installing EFVs; that other states are considering charging the customer some co-pay amount, and that still other states are considering charging the customer a set amount that is an average installation cost so that customers are not charged different amounts.[60] However, Staff argues, the Commission should not rely on what other states have done, but instead should "approve a solution that is best for the citizens of Delaware ... ."[61] The DPA agrees that the Commission should approve what it thinks is best for the ratepayers of these two Delaware natural gas distribution companies, but notes that what other states have done can be instructive to the Commission. And our sister states of Maryland and Pennsylvania – in which affiliates of both Chesapeake and Delmarva operate – have decided that it is best for ratepayers to require those who desire to install an EFV on their existing service line to shoulder the cost of installing it. In light of the lack of evidence that Delaware ratepayers have been significantly harmed because they lacked EFVs, the DPA does not see any point to requiring all ratepayers to subsidize the few ratepayers expected to request an EFV. Nor does the DPA see any point to the Commission ordering the utilities to install EFVs on all existing service lines.

[60]Staff memo 17-0129 at 3; Staff memo 17-0158 at 3.
[61]*Id.*

Staff states that it suggested a "compromise flat charge of somewhere between $100 and $500 for those customers requesting an EFV installation ... ."[62] The DPA disagrees with this compromise proposal for the same reason it opposes any proposal other than the requesting customer paying the entire installation cost minus the cost of the EFV itself: the cost that is not recovered from the requesting customer will be socialized across and recovered from the entire customer base.

D. <u>The Last Sentence in the Proposed Tariffs Should Be Removed.</u>

Staff asked both utilities why they included the sentence "The Company does not guarantee or warranty the operation of the EFV." Delmarva responded that it was trying to "[a]void[] any responsibility or liability for manufacturer defects, consequential damages, flows that do not cause the EFV to trip (designed for line break, but not smaller damages), to name a few."[63] It acknowledged that it is responsible for ensuring that the EFV installation complies with PHMSA requirements, but emphasizes that it does not manufacture the EFV and so makes no guarantees or warranties that the EFV will perform in that manner that it was designed to operate.[64] Similarly, Chesapeake responded that the sentence clarifies that even though the customer pays the utility for the installation cost, the transaction is not the sale of a product that triggers certain warranties to the buyer regarding the product, and Chesapeake does not warrant or guarantee the EFV's operation.[65]

The DPA understands the utilities' point, but does not believe that the sentence is necessary. The utilities do not manufacture any of the products that they use in providing service to customers (pipes, services, mains, electrical lines, transformers, etc.), but there are no tariff

[62]Staff memo 17-0129 at 4; Staff memo 17-0158 at 4.
[63]Delmarva Response to Staff Informal Data Request Gen-2.
[64]*Id.*, Delmarva Response to Staff Informal Data Request Gen-1.
[65]Chesapeake Response to Staff Informal Data Request Gen-2.

provisions absolving the utilities from liability in the event any of these products fail to operate as expected. There is no reason to single out EFVs for particular attention. Furthermore, the DPA does not believe that the Commission should insulate the utilities from potential liability in the event something does occur. For example, if a utility knows there is a problem with EFVs manufactured by a particular company but purchases and installs them anyway, and they later fail, the customer may have a cause of action against the utility for its failure to exercise due care in selecting the product. The utilities should not be absolved from liability from the start.

Conclusion.

The DPA submits that customers who want to install an EFV should be responsible for paying all of the incremental costs of that installation over and above the cost of the EFV itself. Installation should not be free, nor should customers that do not elect to install an EFV subsidize customers that do exercise that choice. Additionally, customers should be provided a true-up mechanism to ensure they are not overcharged for an EFV installation. Finally, the Commission should remove the final sentence from the utilities' proposed tariffs.

Based on the foregoing reasoning and argument, the DPA respectfully requests the Commission to approve its proposed EFV tariff language.

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Counsel for the Delaware Division of the
Public Advocate

Dated: July 18, 2017

EXHIBIT A

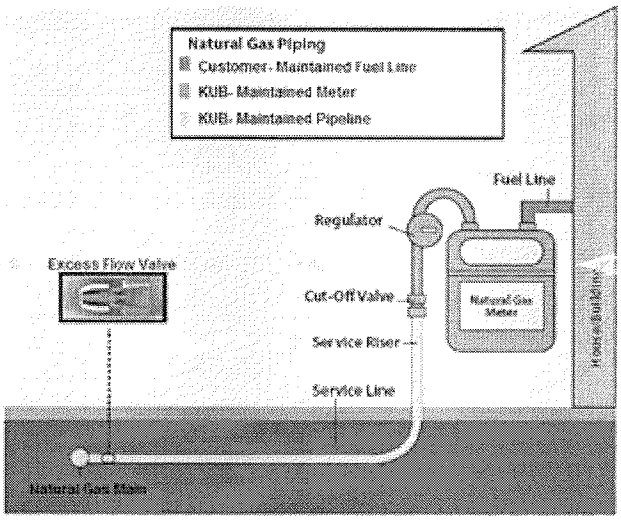
Natural Gas Piping
Customer- Maintained Fuel Line
KUB- Maintained Meter
KUB- Maintained Pipeline
Fuel Line
Regulator
Excess Flow Valve
Cut-Off Valve
Natural Gas Meter
Service Riser
Service Line
Natural Gas Main

EXHIBIT B

Iorii, Regina (DOJ)

From: Scott, Pamela J:(PHI) <PJScott@pepcoholdings.com>
Sent: Monday, June 26, 2017 2:34 PM
To: Iorii, Regina (DOJ)
Cc: Slater, Andrew C. (DOS); Maucher, Andrea (DOS)
Subject: RE: Docket 17-0129 (EFV Tariff Language): DPA questions

Gina,

Sorry for the delay. DPL's responses are as follows:

1. Yes, your understanding is correct that the EFV is primarily to protect people and property in the event that equipment is hit during excavation.
2. Delmarva had 433 excavation damages on service lines over the past 3 years of which 137 had an EFV.

In terms of the damages associated with each hit line, that information is not readily available and it would take a significant amount of time to research it.

As to whether the line had an EFV installed and whether or not it functioned as expected, we have no records to indicate that an EFV did not function as expected when a service line was damaged.

3. Delmarva Power began installing EFVs as a standard practice when installing new and/or replacement gas services beginning in 1999.

4. Out of a total of 125,118 active gas services in Delmarva Power's territory, there are 33,799 EFVs currently installed.

Pam

Pamela J. Scott | Assistant General Counsel

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P.O. Box 6066, Newark, DE 19714 (U.S. Mail)
o: 302-429-3143 | c: 302-650-8589
pjscott@pepcoholdings.com | pepcoholdings.com

From: Iorii, Regina (DOJ) [mailto:regina.iorii@state.de.us]
Sent: Thursday, June 22, 2017 12:02 PM
To: Scott, Pamela J:(PHI)
Cc: Slater, Andrew C. (DOS); Maucher, Andrea (DOS)
Subject: [EXTERNAL] Docket 17-0129 (EFV Tariff Language): DPA questions

Pam, below are Andrea's questions from April 2017. We have received responses from Chesapeake. Could we please get DPL's responses? We've heard this will be on for the 7/25 agenda. Thanks! Gina

From: Maucher, Andrea (DOS) [mailto:andrea.maucher@state.de.us]
Sent: Tuesday, April 11, 2017 10:54 AM

To: Scott, Pamela J:(PHI) <PJScott@pepcoholdings.com>; O'Brien, Bill <bobrien@chpk.com>
Subject: EFV Tariffs

Pam and Bill –

I'm not certain who to direct these questions to, so I'll start at the top and work my way down (or it the other way around!?). First, it is my understanding that the EFV is primarily to protect people and property in the event of an equipment hit during excavation, but please clarify if that is not correct. Presuming that is the case, can someone provide information regarding the number of lines hit each year and related damages (both to persons and property), whether the line had an EFV installed or not and if the EFV functioned as expected. Also, when did your respective utilities begin routinely installing devices, and how many have been installed to date (breakdown by year if possible).

Please give me a call if you have any questions or wish to discuss further. Thanks! Andrea

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EXHIBIT C

Iorii, Regina (DOJ)

From: Scott, Pamela J:(PHI) <PJScott@pepcoholdings.com>
Sent: Wednesday, March 22, 2017 10:48 AM
To: Iorii, Regina (DOJ)
Cc: Slater, Andrew C. (DOS); Maucher, Andrea (DOS)
Subject: RE: Change to DPL Gas Tariff in Response to Changes to Federal Regulations - Excess Flow Valves

Gina,

Sorry for the delay in responding. I offer the following in response to questions raised about the Excess Flow Valve filing:

In terms of the charge to the customer with no true-up, the Company is trying to reduce the time and costs associated with providing a specific analysis of the costs for each individual installation and then a subsequent true-up of those costs, similar to how contributions in aid of construction are currently handled for other installations.

In terms of numbers, there are approximately 77,000 gas services that operate over 10 psig that do not have an EFV. The Company expects less than 0.04% or 300 of those customers would make a request to install an EFV, based upon data provided by PHMSA.

The Company estimates that it will cost approximately $1,800 to install an EFV on an existing service line. The cost is broken down as follows: $1,100 for labor, $450 for overhead and contingency and $250 CIAC tax.

Let me know if you require any additional information.

Pam

Pamela J. Scott | Assistant General Counsel

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pjscott@pepcoholdings.com | pepcoholdings.com

From: Iorii, Regina (DOJ) [mailto:regina.iorii@state.de.us]
Sent: Tuesday, March 21, 2017 2:44 PM
To: Scott, Pamela J:(PHI)
Cc: Slater, Andrew C. (DOS); Maucher, Andrea (DOS)
Subject: FW: Change to DPL Gas Tariff in Response to Changes to Federal Regulations - Excess Flow Valves

Hey Pam – would it be possible for Delmarva to respond to my questions below? Time is passing sooner than we think and this is going to be before the Commission soon.

Thanks! Gina

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From: Iorii, Regina (DOJ)
Sent: Tuesday, March 14, 2017 10:18 AM
To: Scott, Pamela J:(PHI) <PJScott@pepcoholdings.com>
Cc: Slater, Andrew C. (DOS) <Andrew.Slater@state.de.us>; Maucher, Andrea (DOS) <andrea.maucher@state.de.us>
Subject: Re: Change to DPL Gas Tariff in Response to Changes to Federal Regulations - Excess Flow Valves

Good morning Pam!

I know you're busy with snow/sleet matters today, but when you get a chance...

We are wondering why the proposed tariff provides that (1) there will be no additional collection if the estimate is low and (2) no refund if the estimate is high. The letter is a little light on details. How many of these valves does Delmarva expect to install each year? How much does DPL estimate it will cost to install an EFV? What's the rationale behind not truing up for each customer?

We appreciate your prompt response. Thanks! Gina

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Wilmington, DE 19801
Tel.: (302) 577-8159
regina.iorii@state.de.us

From: Scott, Pamela J:(PHI) <PJScott@pepcoholdings.com>
Sent: Monday, March 13, 2017 4:01 PM
To: McDowell, Connie (DOS); Willard, Robert (DOJ); Platt, Jerry (DOS); Slater, Andrew C. (DOS); Iorii, Regina (DOJ); Hall, Heather:(DPL); Santacecilia, Marlene C:(DPL); Collacchi Jr, Robert M:(DPL); Kitson, Robert G:(DPL); Bridge, Donald J:(DPL); Langseder, David E:(DPL)
Subject: Change to DPL Gas Tariff in Response to Changes to Federal Regulations - Excess Flow Valves

All,

The attached filing was made in Delafile today. Delmarva Power has asked for expedited treatment of this filing due to the fact that the Federal Regulation which prompts this tariff change request becomes effective April 14, 2017.

Pamela J. Scott | Assistant General Counsel

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EXHIBIT D

EXCESS FLOW VALVE TARIFF FILING
INFORMAL DATA REQUESTS FROM PSC STAFF

Gen. 1: Would the Company be amenable to removing the last sentence in the proposed change?

Answer: No. The EFV is not manufactured by Delmarva Power and, therefore, the Company makes no warranties or guarantees as to whether the device will perform in the manner that it was designed to operate. The Company does agree that it is responsible for making sure that the EFV installation complies with the requirements of 49 CFR §192.381.

Gen. 2: What risk is the Company trying to avoid by including the language in the last sentence of the proposed tariff change?

Answer: Avoiding any responsibility or liability for manufacturer defects, consequential damages, flows that do not cause the EFV to trip (designed for line break, but not smaller damages), to name a few.

Gen. 3: What is the average estimated cost for installing an EFV?

Answer: To install the EFV on an existing service line, approximately $1,800, broken down as follows: $ 1,100 for labor, $450 for overhead and contingency and $250 CIAC Tax.

Gen. 4: How much do EFV installation costs vary across installations?

Answer: Generally speaking, EFVs are installed as part of a new or replaced gas service, as required by law. In that capacity, the cost can be as little as $50 (the cost of the device itself); however, the cost can go as high as $5,000 if an entire service line needs to be replaced because the existing size and length of the service will not permit the EFV to trip if the flow rate does not reach the design trip flow rate due to the pressure drop across a long small diameter service. In addition, to install an EFV in the City Wilmington adds $185 in permit fees, $100 in City of Newark, plus hard surface restoration costs of $500 -$1000 per road patch.

Gen. 5: Will Delmarva own and maintain the EFV after it is installed? If not, will it be customer owned equipment?

Answer: Delmarva will own and maintain the EFV after it is installed.

Gen. 6: What is the annual estimated cost of maintaining an EFV?

Answer: This cost is not broken down individually as any maintenance associated with EFVs currently in place is related to the maintenance of the service line and other associated equipment.

Gen. 7: If an EFV needs to be replaced who will be responsible for the cost of the replacement?

Answer: The Company will be responsible for the cost of the replacement.

Gen. 8: How many EFVs does Delmarva anticipate installing per year under this tariff change?

Answer: Based upon the Company's records, there are approximately 77,000 gas services that operate over 10 psig that do not have an EFV. We expect less than 0.004% or 300 of those customers would make a request to install an EFV, based upon data provided by PHMSA.

EXCESS FLOW VALVE TARIFF FILING
INFORMAL DATA REQUESTS FROM PSC STAFF

Gen. 9: Could Delmarva require a requesting customer to pay the actual cost of the installation instead of the estimated cost? If so, why are you requesting the estimated cost be paid by the customer with no true up?

Answer: Requiring a customer to pay the actual cost would require that each installation be looked at individually and a cost be developed for that job, adding more expense and time to the process. What is being proposed by the tariff revision is consistent with other sections of the gas tariff where a customer is required to provide a contribution in aid of construction.

Gen. 10: How will the Company treat any over or under collection between the estimated EFV installation cost and the actual installation cost?

Answer: It will flow through base rates.

Gen. 11: If the Commission did not allow EFV installation costs to be passed on to the customer how would the Company account for the costs?

Answer: The Company would seek to collect the costs through base rates as a legitimate cost of doing business to comply with a federal regulation.

EXHIBIT E

Iorii, Regina (DOJ)

From: Maucher, Andrea (DOS)
Sent: Thursday, April 13, 2017 7:02 AM
To: Slater, Andrew C. (DOS); Iorii, Regina (DOJ)
Subject: Fwd: EFV Tariffs

Andrea Maucher

Begin forwarded message:

> **From:** "O'Brien, Bill" <bobrien@chpk.com>
> **Date:** April 12, 2017 at 5:01:23 PM EDT
> **To:** "Maucher, Andrea (DOS)" <andrea.maucher@state.de.us>
> **Subject: RE: EFV Tariffs**
>
> Andrea, see below:
>
> Question: First, it is my understanding that the EFV is primarily to protect people and property in the event of an equipment hit during excavation, but please clarify if that is not correct.
>
> Response: An EFV is a mechanical device installed on a gas service line near the tap to *restrict* the flow of gas on the service line if the service line is accidentally damaged by excavation which in turn reduces the chance of a fire or explosion. An EFV does not stop the flow of gas 100% and does not stop the flow of gas for customer fuel line or appliance leaks.
>
> Question: Presuming that is the case, can someone provide information regarding the number of lines hit each year.
>
> Response:
> 2007 – 123
> 2008 – 89
> 2009 – 67
> 2010 – 97
> 2011 – 54
> 2012 – 81
> 2013 – 41
> 2014 – 49
> 2015 – 66
> 2016 – 70
>
> Question: and related damages (both to persons and property),
>
> Response: No personal or property damage other than damage to the service line
>
> Question: and whether the line had an EFV installed or not and if the EFV functioned as expected.
>
> Response: Info not readily available.

Question: Also, when did your respective utilities begin routinely installing devices,

Response: 2000

Question: and how many have been installed to date (breakdown by year if possible).

Response:
2000 – 775
2001 – 1067
2002 – 1595
2003 – 1916
2004 – 2514
2005 – 2898
2006 – 2888
2007 – 2357
2008 – 1741
2009 – 1239
2010 – 1441
2011 – 1286
2012 – 1134
2013 – 1516
2014 – 1679
2015 – 2106
2016 – 2314

Total – 30,466 EFV's installed on services
Total – 52,265 Services
Percentage with EFV's – 58.29%

From: Maucher, Andrea (DOS) [mailto:andrea.maucher@state.de.us]
Sent: Tuesday, April 11, 2017 10:54 AM
To: Scott, Pamela J:(PHI) <PJScott@pepcoholdings.com>; O'Brien, Bill <bobrien@chpk.com>
Subject: EFV Tariffs

Pam and Bill –

I'm not certain who to direct these questions to, so I'll start at the top and work my way down (or it the other way around!?). First, it is my understanding that the EFV is primarily to protect people and property in the event of an equipment hit during excavation, but please clarify if that is not correct. Presuming that is the case, can someone provide information regarding the number of lines hit each year and related damages (both to persons and property), whether the line had an EFV installed or not and if the EFV functioned as expected. Also, when did your respective utilities begin routinely installing devices, and how many have been installed to date (breakdown by year if possible).

Please give me a call if you have any questions or wish to discuss further. Thanks! Andrea

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EXHIBIT F

Iorii, Regina (DOJ)

From: Maucher, Andrea (DOS)
Sent: Tuesday, June 27, 2017 1:17 PM
To: Iorii, Regina (DOJ); Slater, Andrew C. (DOS)
Subject: FW: Excess Flow Valve tariff filing
Attachments: PSC EFV Questions.docx

From: Neilson, Kevin S (DOS)
Sent: Tuesday, April 11, 2017 9:51 AM
To: Slater, Andrew C. (DOS); Maucher, Andrea (DOS); Iorii, Regina (DOJ)
Cc: Howatt, Robert (DOS); Platt, Jerry (DOS); McDowell, Connie (DOS)
Subject: FW: Excess Flow Valve tariff filing

FYI See attached the Company's response to Staff's informal data requests

k

Kevin S. Neilson
Regulatory Policy Administrator
Delaware Public Service Commission
861 Silver Lake Blvd
Cannon Bldg, Suite 100
Dover, DE 19904
(302) 736-7514

From: O'Brien, Bill [mailto:bobrien@chpk.com]
Sent: Monday, April 10, 2017 5:01 PM
To: Neilson, Kevin S (DOS)
Cc: Willard, Robert (DOJ)
Subject: RE: Excess Flow Valve tariff filing

Kevin, Bob,

See attached responses. Thanks.

Bill

From: Neilson, Kevin S (DOS) [mailto:Kevin.Neilson@state.de.us]
Sent: Monday, April 03, 2017 9:02 AM
To: O'Brien, Bill <bobrien@chpk.com>
Cc: Willard, Robert (DOJ) <Robert.Willard@state.de.us>
Subject: Excess Flow Valve tariff filing

I have been assigned Chesapeake's EFV tariff filing. Although you did not request expedited treatment or request that the filing be considered at the Commission's April 6, 2017 meeting the proposed tariff sheets say: Issue Date: April 6, 2017; Effective Date: April 14, 2017; Authorization: Order No. **** dated April 6, 2017 in Docket No. *******. However, the filing contains no verification and Commission Staff have questions on the filing. The Commission will schedule the consideration of your filing for April 20, 2017.

As indicated above, Staff has a few questions concerning the filing. I would like to do that informally if that works for you.

Gen. 1 Would the Company be amenable to removing the last sentence in the proposed change?

Staff are opposed to the language. Staff's concern is that the language in the federal requirements (which our regulations incorporate) place certain requirements on EFVs and Staff believes that the tariff language should not diminish those requirements. For me, although I am not a lawyer I am not sure that the language does much for you anyway. If you are not responsible for the cause of an EFV either operating when it should not or not operating when it should then you are not responsible, However, if you are responsible then you are responsible and I am not sure that this language gives you a lot of protection. The only advantage that I see is that by placing it in the tariff you can argue in a court (if someone takes you to court) that this is a tariff issue and should be heard by the Commission. In any event, I think you are going to receive opposition to this provision.

Gen. 2 What risk is the Company trying to avoid by including the language in the last sentence of the proposed tariff change?

Gen. 3 What is the average estimated cost for installing an EFV?

Gen. 4 How much do EFV installation costs vary across installations?

Gen. 5 Will Chesapeake own and maintain the EFV after it is installed? If not, will it be customer owned equipment?

Gen. 6 What is the annual estimated cost of maintaining an EFV?

Gen. 7 If an EFV needs to be replaced who will be responsible for the cost of the replacement?

Gen. 8 How many EFVs does Chesapeake anticipate installing per year under this tariff change?

Gen. 9A Could Chesapeake require a requesting customer to pay the actual cost of the installation instead of the estimated cost? If so, why are you requesting the estimated cost be paid by the customer with no true up?

Gen. 9A Could Chesapeake require a requesting customer to pay the class average cost of the installation instead of the estimated cost and would Chesapeake be amenable to that?

Gen. 10 How will the Company treat any over or under collection between the estimated EFV installation cost and the actual installation cost?

Gen. 11 If the Commission did not allow EFT installation costs to be passed on to the customer how would the Company account for the costs?

Please explain each of your answers.

In addition please file a verification for the filling in Delafile.

Thanks, Kevin

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Delaware Public Service Commission
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Dover, DE 19904
(302) 736-7514

Gen. 1 Would the Company be amenable to removing the last sentence in the proposed change?

The Company based its proposed language on that filed by Delmarva Power on the expectation that the Commission would prefer the same language in the two gas tariffs it regulates. The Company will comply with the Commission's decision regarding the last sentence.

Gen. 2 What risk is the Company trying to avoid by including the language in the last sentence of the proposed tariff change?

The last sentence serves to clarify for the customer that, even though the customer pays the Company for the installation cost, which includes the Company's cost of the EFV itself, the transaction does not constitute the sale of a product whereby the seller makes certain warranties to the buyer regarding the product. Because the Company does not manufacture the product, it does not guarantee or warrant its operation.

Gen. 3 What is the average estimated cost for installing an EFV?

Due to the wide range in cost, as reflected in the response to question 4, the Company cannot estimate an average across its system with any degree of accuracy. A simple average of the estimated high end of the range and the low end of the range is $2,850.

Gen. 4 How much do EFV installation costs vary across installations?

Based on current estimates, the cost will range from $700 to $5,000 depending on the restoration, permitting, traffic control and other construction related requirements.

Gen. 5 Will Chesapeake own and maintain the EFV after it is installed? If not, will it be customer owned equipment?

Yes, Chesapeake will own and maintain the EFV after it is installed.

Gen. 6 What is the annual estimated cost of maintaining an EFV?

Currently there is no annual maintenance for EFV's. The EFV would be replaced if an issue is found with its performance.

Gen. 7 If an EFV needs to be replaced who will be responsible for the cost of the replacement?

The Company.

Gen. 8 How many EFVs does Chesapeake anticipate installing per year under this tariff change?

The Company anticipates minimal installations per year under the current proposed tariff changes. If customers are not required to pay for the EFV, we expect substantially more. A rough estimate of the number of services that do not have EFVs is 20,000.

Gen. 9A Could Chesapeake require a requesting customer to pay the actual cost of the installation instead of the estimated cost? If so, why are you requesting the estimated cost be paid by the customer with no true up?

The Company is proposing the same process that it uses with CIACs (and the same methodology advanced by Delmarva Power). The proposed method is intended to make the process straightforward for the customer and will enable the customer to make an informed choice, without the risk of higher charges after installation is complete. The proposed method also saves administrative costs in that tracking each project to reconcile payments (while possible) takes significant resources. (If actual costs were used, the Company would need to collect a cost estimate upfront to avoid collection issues after installation.)

Gen. 9A Could Chesapeake require a requesting customer to pay the class average cost of the installation instead of the estimated cost and would Chesapeake be amenable to that?

We would be open to further discussion on this, if the average cost could be adjusted annually (if needed) and if any under collection would be included in rate base.

Gen. 10 How will the Company treat any over or under collection between the estimated EFV installation cost and the actual installation cost?

Since the fee collected would be a CIAC, any over or under collection would go to reducing or increasing gas plant (rate base).

Gen. 11 If the Commission did not allow EFV installation costs to be passed on to the customer how would the Company account for the costs?

The Company would propose a surcharge, adjusted annually, that covers a return of the investment through amortization and a return on the investment at the Company's authorized rate of return. The Company notes that if the Company pays for EFVs, the average installation cost could increase dramatically if we do not have the resources to keep up with the volume of orders for EFV installations. If the installations are free, the number of requests could reach well into the thousands in a relatively short period of time.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR REVISIONS TO ITS GAS TARIFF (Filed March 13, 2017)	))))	**PSC DOCKET NO. 17-0129**
IN THE MATTER OF THE APPLICATION OF CHESAPEAKE UTILITIES CORP. FOR REVISIONS TO ITS GAS TARIFF (Filed March 29, 2017)	))))	**PSC DOCKET NO. 17-0158**

CERTIFICATE OF SERVICE

I hereby certify that on July 18, 2017, I caused a copy of **THE DELAWARE DIVISION OF THE PUBLIC ADVOCATE'S POSITION REGARDING DELMARVA POWER & LIGHT COMPANY'S AND CHESAPEAKE UTILITIES CORPORATION'S APPLICATIONS FOR REVISIONS TO THEIR GAS TARIFFS TO COMPLY WITH AMENDMENTS TO PHMSA REGULATIONS** to be filed with the Delaware Public Service Commission using Delafile and to be served on the following persons by electronic mail.

Pamela J. Scott, Esq.	PJScott@pepcoholdings.com
William F. O'Brien, Esq.	bobrien@chpk.com
Robert Howatt	robert.howatt@state.de.us
Kevin Neilson	kevin.neilson@state.de.us

Dated: July 18, 2017

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Counsel for the Delaware Division of the Public Advocate